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March 31, 2017

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0066 – E.L.K. Energy Inc. – 2017 Rate Application
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

M. Garner /for C. Khoo

Cynthia Khoo
Counsel for VECC

Mark Danelon, Director, Finance & Regulatory Affairs
Email: mdanelon@elkenergy.com

REQUESTOR NAME **VECC**
TO: **E.L.K. Energy Inc. (ELK)**
DATE: **March 28, 2017**
CASE NO: **EB-2016-0066**
APPLICATION NAME **2017 COS Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1
Reference: E1/pg.19

a) Given that the Kingsville Satellite location sold in 2016 Q2 why is E.L.K. not proposing disposition of 50% of the proceeds.
b) What were the gross and net proceeds from the sale?

1.0-VECC-2
Reference: E1/pg.20

a) Please describe the issue raised by Hydro One with respect to the "*clarity of loss adjusted charges*."

1.0-VECC-3
Reference: E1/pg.39

a) In a number of places, including at the above reference, E.L.K. makes the statement that "customer expectations have changed" in justifying its increase in OM&A spending. Please explain what customer expectations are changing, how E.L.K. determined they are changing, and why these expectations are relevant to OM&A spending by specifically identifying incremental costs related to these expectations.

1.0-VECC-4
Reference: E1/pg.46 & pgs.99-

a) Please explain how the "balance between rates and the number of outages" was explained to the survey respondents. Specifically, explain how lower or higher rates impact the number and duration of outages.
b) Please provide the increase in outages if E.L.K.'s capital and OM&A

spending were reduced by 15%. Please show the calculation for the estimated change in outages due to changes in OM&A and capital budgets.

1.0-VECC-5
Reference: E1/pgs.113-

a) Survey respondents were provided the following pre-amble prior to answering questions: " *E.L.K. operating budget also impacts on the customer bills including the costs for managing and maintaining the system. It's operating budget for 2017 is currently planned to increase to approximately 3.3 M, which is about 20% higher than prior years*." However, E.L.K.'s 2017 OM&A proposal is $3.5m which is a 41% increase over the last Board approved ($2.4m). Please explain this apparent discrepancy. Also explain how the 20% figure stated in the pre-amble was calculated.

1.0-VECC-6
Reference: E1/pgs.111 & E2/ Appendix 2-A Distribution System Plan/pg.41

a) Survey respondents were provided the following pre-amble prior to answering questions: "*E.L.K. Energy's electrical infrastructure dates back to the 1950's and some are now approaching the end of their useful life, potentially impacting the reliability of electricity delivery. It is estimated that 38% of all power outages are caused by equipment failures.*" Please explain how the 38% was derived.
b) Please explain how this 38% relates to the 46% for outages due to equipment failure shown at page 41 of the DSP.
c) Please provide the outage by cause code for each of the years 2012 through 2016.

1.0-VECC-7
Reference: E1/pg.60

a) Please provide the updated scorecard to include 2016 results.

2.0 RATE BASE (EXHIBIT 2)

2.0 – VECC -8
Reference: E2/pg.11

a) For the years 2012 through 2017 please reconcile the PP&E additions shown in Appendix 2-BA with the capital projects shown in Appendix 2-AA.

2.0-VECC-9
Reference: E2/Appendix 2-BA

a) Please update the Fixed Asset Continuity Schedule (Appendix 2-BA) to include 2016 actuals.
b) If necessary, please update the 2017 Continuity Schedule.

2.0-VECC-10
Reference: E2/Appendix 2-AA

a) Please revise and update Appendix 2-AA to include 2016 actuals (unaudited) and any resulting adjustments to the 2017 capital budget.

2.0-VECC-11
Reference E2 & EB-2011-0099

The following is from the approved settlement agreement in EB-2011-0099:

Settlement Table #2: Rate Base

Rate Base					
Particulars	Initial Application	Adjustments	Interrogatory Responses	Adjustments	Per Settlement Agreement
Gross Fixed Assets (average)	24,601,738	(76,375)	24,525,363	(27,323)	24,498,040
Accumulated Depreciation (average)	(15,504,990)	3,582	(15,501,408)	1,446	(15,499,962)
Net Fixed Assets (average)	9,096,748	(72,793)	9,023,955	(25,877)	8,998,078
Allowance for Working Capital	4,169,346	11,298	4,180,644	(854,129)	3,326,515
Total Rate Base	13,266,094	(61,495)	13,204,599	(880,007)	12,324,592

a) In the event E.L.K.'s average net fixed assets were lower than the approved settled amount until 2016 (the bridge year). Please explain why?
b) Using Appendix 2-AB as a reference, please explain why in 2012, 2014 and 2015 E.L.K. spent less than what it had budgeted for capital projects
c) Please calculate the annual overearnings in 2012 through 2015 which due to the underspending on assets during the past rate period.

2.0-VECC-12

Reference: E2/pg.37

a) Please identify any projects specifically required as part of the Regional Infrastructure Plan in the years 2017 through 2021. Please also provide the total capital costs estimated for these projects in each year.

2.0-VECC-13

Reference E/2/pg.47

a) Please provide a table showing for each year 2012 through 2017 (forecast)
    I. Capital Contributions (deferred revenue);
    II. The total capital projects costs in each which attract the above contributions.
b) For each year please provide separately the capital contributions received from municipal governments for underground relocations in each year. Please provide the total costs in each year of above to underground relocations done on the behest of municipal government(s).

2.0-VECC-14

Reference: E2/ Appendix 2-A Distribution System Plan/pg.53

E.L.K. states that is does not have a Health Index and Probability of Failure database

a) Is therefore asset age (or TUL) is the only basis for asset replacement (as shown ag pages 87- of the DSP)? If not please explain what other asset condition data is kept and how that is used in the DSP to produce a future capital plan.

b) When does E.L.K. expect to produce a health index for its major category of assets?

2.0-VECC-15

Reference: E2/ Appendix 2-A Distribution System Plan/pg.57

a) E.L.K. states that is does not follow a typical ‘worst performing feeder’ process instead its analyzes reliability events “from a geographical perspective”. Please explain what analyzing reliability impacting events from a geographical perspective means.

2.0-VECC-16

Reference: E2/ Appendix 2-A Distribution System Plan/pgs. 68-

a) Please provide a breakdown of the rate plan forecast period capital projects (2017 through 2021) as shown in the table at section 5.4.1.2 into the format shown in the following table at section 5.4.1.4 (page 69 - showing the historical expenditures).

2.0-VECC-17

Reference: E2/ Appendix 2-A Distribution System Plan/89-94

a) Please confirm that E.L.K. uses an 11% burden cost on all capital projects.
b) If this is not confirmed please explain who the burden costs on pages 89-94 of the DSP were calculated.
c) Please explain the rationale for an 11% burden rate.

2.0-VECC-18

Reference: E2/ Appendix 2-A Distribution System Plan/pgs.107-108 & Appendix G

a) Between 2017 and 2021 E.L.K expects to purchase $1.37m in new vehicles, significantly more than in the previous 5 years. Please why the sudden increase in vehicle investments.
b) Please provide two tables in form as that shown at section 3 of Appendix G (pg. 138). The first showing the fleet as of the end of 2012 and the other showing the expected fleet at the end of 2021.

2.0-VECC-19
Reference: E2/pg.25

a) Please update the working capital allowance for:
    I. The Board October 14, 2016 updated Regulated Price Plan Price Report – if necessary.
    II. The October 27, 2016 Board updated cost of capital parameters

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0 –VECC -20
Reference: Exhibit 3, page 5 (lines 9-10); page 10

a) Please explain (per page 5) how the "average" customer/connection count for each year was determined (e.g. monthly averages, average of opening and closing year values, etc.).
b) Please provide the actual 2016 customer/connection count for each customer class calculated on a similar basis.
c) Please re-do Tables 3-8 and 3-9 where:
    - 2016 actual values are included in the calculation of the geometric mean for Residential and GS<50 and the result is applied to the 2016 actual counts to forecast 2017
    - The actual averages for 2016 are used to forecast 2017 values for GS>50, Sentinel Lights, USL and Street Lights.

3.0 –VECC -21
Reference: Exhibit 3, pages 4 and 8-10

a) Do the purchased power values used by ELK in its regression model include purchases from microFIT, FIT or other forms of local generation?

If not, what would the monthly purchases of such generation be for the period 2006 to 2015?

b) Did ELK test to see whether some economic activity variable (besides GDP) – for example customer/connection count - would be a statistically significant explanatory variable? If yes, what were the results? If not, why not?
c) Please provide: i) the actual purchases for 2016; ii) the actual HDD and CDD value for 2016 and iii) the predicted purchases for 2016 using ELK's load forecast model.
d) One would expect there to be close to a 1:1 relationship between changes in Embedded Distributor Usage and Purchase Power Requirements. Can ELK explain why the coefficient for Embedded Distributor Usage is only 0.61 and not higher?
e) Please provide an alternative regression model using the same explanatory variables (excluding Embedded Distributor Usage) but where the purchased power variable is adjusted to i) include any local generation per part (a) and ii) exclude the usage by the Embedded Distributor per part (d). Please also indicate what the resulting forecast 2017 power purchases and billed energy forecast would be prior to any adjustments for CDM.

3.0 –VECC -22
Reference: Exhibit 3, page 8 (Table 3-4) and pages 12-15

a) Please provide the actual billed energy (and billed kW where applicable) by rate class for 2016.
b) Please update Tables 3-10 and 3-11 to include actuals for 2016.
c) Please re-do Tables 3-12, 3-13 and 3-21 using:
    - 2016 actual usage per customer as the basis for the Residential, GS<50, GS>50 and Sentinel Light customer class 2017 forecasts for Table 3-12.
    - the updated geomean from part (b) to create the non-normalizied 2017 forecasts for Street Lights, USL and the embedded distributor per Table 3-12.

3.0 –VECC -23
Reference: Exhibit 3, pages 15-18
ELK 2015 Annual Verified Results Report (excel file)

a) Please provide ELK's 2015-2020 CDM Plan (page 15, line 17).

b) Please provide the IESO Report for ELK titled – “Final 2015 Annual Verified Results – Annual Persistence Report”.
c) With respect to Table 3-15, why were the 2015 values based on ELK’s 2015-2020 CDM Plan as opposed its IESO 2015 verified results?
d) Please update Tables 3-15, 3-16, 3-17, 3-18, 3-19, 3-20 and 3-21 to reflect the 2015 actual verified CDM savings.

3.0 –VECC -24
Reference: Exhibit 3, page 35 and Filing Requirements Appendix 2-H

a) Please update Appendix 2-H for actual (unaudited if necessary) 2016 values.
b) The 2017 Other Revenues set out in Table 3-46 differ from those in Appendix 2-H, please reconcile.
c) With respect to page 35 (lines 10-13), what was the total gain on the property sale in 2016 and how was ½ of this refunded to ratepayers?

4.0 OPERATING COSTS (EXHIBIT 4)

4.0-VECC-25
Reference: E4/pg.8

a) Please provide a table showing employees (year-end) by job category (lineman, executive, billing etc.) in 2012 and 2016.
b) Please provide the same for each year 2017 through 2021

4.0-VECC-26
Reference: E4/

a) Please provide the cost of EDA membership for the years 2012 through 2017 (forecast).

4.0-VECC-27

Reference: E4/pg.16

a) Please confirm that E.L.K.’s 2012 OM&A forecast (EB-2011-0099) did not include any ongoing smart meter costs.

b) Please provide a breakdown of the $100,000 in annual incremental costs related to smart metering. Please show any offset reduction to costs related to meter reading.
c) How much of this increase is due to the change in exchange rates as between 2012 and forecast 2017?

4-VECC-28

Reference: E4/pg.18

a) Please provide the source for the "Canada economics" inflation forecast of 2.9% by 2020."

4-VECC-29

Reference: E4/pg. 21

a) Does E.L.K.'s 2017 OM&A forecast include monies for CDM programs (development or implementation)? If yes please explain what revenue offsets are forecast for this activity.

4.0-VECC-30

Reference: E4/pg.22

a) Please provide a breakdown of the $150,000 in outside services forecast for 2017.
b) Please indicate what of these amounts E.L.K. has already contracted for.

4.0-VECC-31

Reference: E4/Appendix 2-JC

a) Please update Appendix 2-JC to include 2016 actuals (unaudited).

4.0-VECC-32

Reference: E4/pgs.24 & 64

a) Please provide a table showing the total expected 400k cost of this applications costs by category: legal, consulting, intervenor, cost. Please show the amount spent to date on each category.
b) Are any of the costs of this application shown in Appendix 2-JA in the 2016 Bridge Year? If yes please provide the amount shown in 2016 OM&A.

4.0-VECC-33

Reference: E4/Appendix 2-JC & Table 4-14. Pgs. 41 & 43

a) Please provide the increase for only locates in 2012 through 2017.

4.0-VECC-34

Reference: E4/pg.29

a) Please provide the forecast costs related to the ongoing issues of the SECTR project.
b) Please explain how much of this cost is forecast for recovery in 2017 OM&A.

4.0-VECC-35

Reference: E4/pg.37 & 41

a) Please provide the increase in postage costs for 2012 through 2017.
b) Please reconcile the postage costs states at page 37 (102k in 2013 and 137k in 2014 with Tables 4-21 to 4-24 where it shows payments to Canada post declining from 115k in 2013 to 96k in 2016.

4.0-VECC-36

Reference: E4/pg. 37

a) In discussing third party professional fees E.L.K. states: "*The majority of this increase, approximately $70,000 or 60% specifically relates to new customer engagement activities E.L.K. will be completing as well as increased costs of professional accounting services due to the implementation of IFRS and*…" Has E.L.K. included IFRS transition costs in the 2017 OM&A.? If yes please identify the amount.

4.0-VECC-37

Reference: E4/pg.38 & Table 4-14. Pgs. 41-42

a) Appendix 2-JC shows in 2012 the Board approved Bad debt amount was $253,000. Please explain why E.L.K. forecast such a high amount (the actual was 65k).
b) Please explain how the bad debt forecast for 2017 was calculated.

4.0-VECC-38

Reference: E4/pg.17

a) Please provide the vegetation management costs for 2012 through 2017.

4.0-VECC-39

Reference: E4/pg.49/Table 4-16 (Appendix 2-K)

a) Please amend Appendix 2-K to
    i. show for each year the total amount of employee cost capitalized;
    ii. separate non management to show union and non-union separate;
    iii. separate the costs of directors and retirees.
b) Please explain why retirees are included as employee costs?

4.0-VECC-40

Reference: E4/pgs. 49-

a) Please provide a table showing each incremental positon since 2012; a description of each new positon; reason/rationale for the positon; the salary/benefit range for that position (not actual salary) and the hiring or expected hiring date of the positon. If the position for the purpose of succession planning please show the year the retirement is expected.

4.0-VECC-41
Reference: E4/pg.53 Table 4-19

a) For ratemaking purposes does E.L.K. account for post-employment benefits on a cash or accrual basis?

4.0-VECC-42
Reference: E4/pg. 56 Appendix 2-N

a) Please provide Appendix 2-N for 2012 actuals.
b) Please explain why there is no increase in the costs of these services as between 2016 and 2017 and notwithstanding the significant OM&A increase proposed by E.L.K.
c) For 2017 please show the derivation of the costs for the services provided to E.L.K. Solutions and the Town of Essex.

4.0 -VECC -43
Reference: Exhibit 4, LRAMVA Work Form

a) Please provide the a copies of the sources used to establish the persisting 2015 kWh values in Tables 7, 8, 9 and 10 of the LRAMVA Work Form from 2011, 2012, 2014 and 2014 CDM programs respectively along with any supporting calculations used.

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-44
Reference: E5/pg.2

a) Please recalculate Appendix 2OA using the Board October 2016 cost of capital parameters

5.0-VECC-45
Reference: E5/pg. 4 Appendix 2-OB

a) Please confirm that E.L.K. has retired all its affiliated debt.

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –46
Reference: Exhibit 7, pages 2-3
Preamble: ELK states that it has reviewed the weighting factors used in the Study and believes the factors to still be valid. (page 2, lines 27-28)

a) Does this statement apply to the Meter Capital values or have they been updated to reflect current costs?
b) Were the weighting factors used in the 2012 study ELK-specific factors?

8.0 RATE DESIGN (EXHIBIT 8)

8.0 –VECC - 47
Reference: Exhibit 8, page 9

a) For what reasons would ELK be required to make a "service call" during regular or after regular hours?
b) What charge, if any, are wireless attachments assessed for use of ELK's poles?
c) Are temporary attachments (e.g. seasonal lighting) assessed a pro-rated rate based on the number of months they are attached?

9.0 DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

N/A

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